

Message Text

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SUBJ: WELLAND CANAL TOLLS

1. AN ABRUPT MOVE BY THE GOC TO IMPOSE MAJOR TOLLS ON SHIPPING THROUGH THE WELLAND CANAL AS EARLY IN 1976 AS POSSIBLE AND WITHOUT USG CONCURRENCE MAY BE IN THE WORKS. ACCORDING TO PAUL NORMANDEAU (PRESIDENT, ST. LAWRENCE SEAWAY AUTHORITY), MOT DEPUTY MINISTER CLOUTIER IS ON THE VERGE OF RECOMMENDING THIS TO TRANPOST MINISTER LANG IN VIEW OF THE SERIOUS LOSSES THE GOC IS INCURRING ON THE WELLAND IN A PERIOD OF GENERAL FISCAL STRINGENCY.

2. NORMANDEAU TOLD TCO FEBRUARY 20 HE OPPOSES THE PROPOSED MOVE, BUT FEELS HE IS BEING OVERRULED. IN HIS VIEW, MODERATE TOLLS OF ABOUT 40 CENTS PER TON ON BULK CARGOS TRANSITTING THE WELLAND SHOULD BE IMPOSED ON A FIVE YEAR GRADUATED BASIS AND WITH THE CONCURRENCE OF THE USG (UNDER THE 1959 ST. LAWRENCE SEAWAY AGREEMENT). HIS READING OF THE WASHINGTON SITUATION IS THAT SUCH CONCURRENCE COULD NOT BE OBTAINED IN 1976 (IN VIEW OF THE ELECTIONS), BUT MIGHT BE POSSIBLE IN 1977. HOWEVER, HE STATED CLOUTIER IS NOT PREPARED TO WAIT THAT LONG AND WANTS TO MOVE NOW AT A SIGNIFICANTLY HIGHER LEVEL OF TOLLS THAN NORMANDEAU REGARDS

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AS DESIRABLE.

2. THE RELEVANT FIGURES, PROVIDED BY NORMANDEAU, ARE THAT THE WELLAND IS PRESENTLY GENERATING ABOUT \$4 MILLION A YEAR IN REVENUES FROM LOCKAGE FEES AND IS INCURRING OPERATING COSTS OF ABOUT \$22 MILLION PLUS INTEREST CHARGES OF ABOUT \$18 MILLION. THERE IS PRESENTLY A MODEST - BUT DECLINING - OPERATING PROFIT ON THE MONTRAL-LAKE ONTARIO SECTION OF THE SEAWAY WHICH ON PAPER OFFSETS SOME OF THIS, BUT THAT SECTION IS CONTINUING TO PILE UP LARGE LOSSES AS A RESULT OF INTEREST ACCUMULATIONS. WORK CONTINUES UNDERWAY BETWEEN MOT AND THE DEPARTMENT OF FINANCE TO RESTRUCTURE THE AUTHORITY'S FINANCIAL POSITION. MOT'S OBJECTIVE IS THAT THE GOC SHOULD ELIMINATE THE AUTHORITY'S REQUIREMENT TO PAY FUTURE INTEREST ON LOANS FROM GOC AND THAT THE ORIGINAL INVESTMENT AND PAST INTEREST SHOULD BE CONVERTED IN EQUITY. THIS APPROACH STILL DOES NOT SIT WELL WITH THE FISCAL AUTHORITIES.

3. COMMENT: NORMANDEAU'S EARLY 1975 INDICATIONS TO THE TCO WITH RESPECT TO TIMING ASPECTS OF PROPOSALS TO DEAL WITH FINANCIAL REORGANIZATION AND TO SECURE AN INCREASE IN PRESENT LEVELS OF SEAWAY TOLLS HAVE NOT BEEN FULLY BORN OUT IN PRACTICE (SEE OTTAWA 1062, MARCH 21, 1975; 551, FEB 14, 1975; 297, JAN 24, 1975). UNDOUBTEDLY, HIS INFORMING US OF THE PRESENT SITUATION REFLECTS A HOPE THAT USG REACTION MIGHT BETTER SUPPORT HIS POSITION VIS A VIS CLOUTIER. NEVERTHELESS, DEPARTMENT AND WASHINGTON AGENCIES SHOULD CONSIDER THE QUESTION IN RELATION TO EXISTING BILATERAL AGREEMENTS. IF INDEED THERE IS AN AGREEMENT REQUIRING U.S. CONCURRENCE IN SETTING TOLLS ON WELLAND (WE HAVE ONLY NORMANDEAU'S WORD FOR THIS AND HAVE NOT BEEN ABLE TO LOCATE APPLICABLE PROVISIONS HERE), IT MIGHT BE USEFUL FOR EMBASSY TO REMIND EXTAFF INFORMALLY THAT WE WOULD EXPECT ANY ACTION ON TOLLS TO BE TAKEN IN ACCORDANCE WITH TERMS OF THE AGREEMENT.

ENDERS

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